

Message Text

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64

ORIGIN XMB-07

INFO OCT-01 EB-11 ISO-00 AF-10 ARA-16 EA-11 EUR-25 NEA-14

RSC-01 L-03 AID-20 CIAE-00 COME-00 FRB-03 INR-11

NSAE-00 TRSE-00 OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01

OMB-01 /158 R

66607

DRAFTED BY XMB:AHHAMILTON/MJJ

APPROVED BY EB/OCA/REP:LAKLIEFORTH

XMB:WWGLICK

NEA/RA:HMMONTGOMERY(INFO)

ARA/ECP:WEKNEPPER(INFO)

AF:LMWHITE(INFO)

EUR:JDREND AHL(INFO)

EB/IFD:ODF:EMLINTON

EA:AGEBER(INFO)

EB/IFD/ODF:REBENEDICK

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R 161344Z JUL 74

FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS

XMT AMEMBASSY PRAGUE

AMEMBASSY BUDAPEST

AMEMBASSY SOFIA

USLO PEKING

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INFORM CONSULS

E.O. 11652: N/A

TAGS: EFIN, XX

SUBJECT: CHANGED PRACTICES AT EXPORT-IMPORT BANK OF THE
UNITED STATES

1. EXIMBANK HAS REASSESSED ITS PROJECT LOAN PROGRAM TO TAKE

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ACCOUNT OF (A) HIGHER INTEREST RATES IN U.S. MONEY MARKET

(WITH CONSEQUENT HIGHER COST OF MONEY TO EXIM ALSO) AND
(B) NEED TO APPLY AVAILABLE EXIM RESOURCES ONLY WHERE CLEARLY
NEEDED FOR MAXIMUM BENEFIT OF U.S. EXPORTS, IN VIEW INCREASING
DEMAND FOR EXIM SUPPORT DUE TO GROWING EXPORTS AND PRICE
INFLATION.

2. IN LIGHT OF ABOVE DEVELOPMENTS, EXIMBANK CHAIRMAN WILLIAM
J. CASEY ON JULY 9 ANNOUNCED SEVERAL SIGNIFICANT CHANGES IN
EXIMBANK PRACTICES:

A. EXIMBANK WILL NO LONGER CHARGE THE SAME FIXED INTEREST
RATE ON ALL LOANS. INTEREST RATE ON ANY GIVEN LOAN WILL BE
FIXED AT THE TIME OF AUTHORIZATION IN A RANGE FROM SEVEN
PERCENT PER ANNUM TO EIGHT AND ONE-HALF PERCENT PER ANNUM,
DEPENDING ON ALL THE CIRCUMSTANCES OF THE CASE SUCH AS THE
DOLLAR AMOUNT OF THE LOAN, THE PERCENTAGE OF THE TOTAL CREDIT
TO BE FINANCED BY EXIMBANK, AND THE REPAYMENT TERM OF THE LOAN.
AS IN THE PAST, THE INTEREST RATE FIXED BY EXIMBANK WILL
OBTAIN THROUGHOUT THE LIFE OF THE LOAN, AND NO
INTEREST RATE ON PREVIOUSLY AUTHORIZED LOANS IS BEING CHANGED.

B. WHEN AN EXIMBANK LOAN IS ACCOMPANIED BY A GUARANTY OF
FINANCING EXTENDED BY ANOTHER FINANCIAL INSTITUTION, KNOWN AS
A FINANCIAL GUARANTY, THE FEE CHARGED BY EXIMBANK HAS BEEN
IN ALL CASES ONE-HALF OF ONE PERCENT PER ANNUM. EXIMBANK
WILL NOW CHARGE FEES RANGING FROM ONE-HALF OF ONE PERCENT TO
ONE AND ONE-HALF PERCENT PER ANNUM.

C. EXIMBANK WILL ALSO, ON A SELECTIVE BASIS, BE REDUCING
THE PERCENTAGE OF ITS FINANCING IN INDIVIDUAL TRANSACTIONS
TO THE MINIMUM CONSIDERED NECESSARY TO ADEQUATELY SUPPORT
THE SALE. THIS WILL MEAN THAT EXIMBANK DIRECT LOANS MIGHT
BE AS LOW AS 30 PERCENT OF THE TOTAL CONTRACT PRICE. EXIM-
BANK WILL ALSO ENDEAVOR WHENEVER POSSIBLE TO FOREGO OFFERING
GUARANTEES ON THE PRIVATELY FINANCED PORTION OF THE TRANSACTION.
DOWN PAYMENT REQUIREMENTS WILL ALSO MORE OFTEN THAN IN
THE PAST BE HIGHER THAN THE MINIMUM TEN PERCENT.

3. PRECISE GUIDELINES HAVE NOT BEEN ESTABLISHED WITH RESPECT
TO THE ABOVE CHANGES IN EXIMBANK PRACTICES. EACH APPLICATION
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FOR FINANCING SUBMITTED TO EXIMBANK WILL BE REVIEWED BY THE
BOARD OF DIRECTORS AND A DECISION MADE IN EACH CASE REFLECTING
THE MERITS OF THE CASE AT HAND, THE SITUATION WITHIN THE
MONEY MARKETS, AND OTHER APPROPRIATE DATA.

4. NO CHANGE HAS BEEN MADE AT THIS TIME ON THE
COOPERATIVE FINANCING FACILITY.

5. WHILE THE FOREGOING INFORMATION IS INTENDED PRIMARILY FOR
USE OF POSTS, THIS MESSAGE IS UNCLASSIFIED TO FACILITATE
DISCUSSION WITH BANKERS AND PROSPECTIVE EXIMBANK CLIENTS
AT POSTS' DISCRETION. WHEN NEW EDITIONS OF EXIMBANK PUBLICATIONS
ARE AVAILABLE, COPIES WILL BE DISTRIBUTED VIA AIR POUCH.
MEANWHILE, EXIMBANK WILL CONTINUE TO RESPOND TO INQUIRIES
FROM POSTS AND OTHERS. EXIMBANK'S TELEX NUMBER IS 89461
REPEAT 89461. END. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, DEVELOPMENT BANKS, INTEREST RATES, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE153022
Document Source: CORE
Document Unique ID: 00
Drafter: AHHAMILTON/MJJ
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740190-0930
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740745/aaaabmbu.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN XMB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 02 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 OCT 2002 by ThomasVJ>; APPROVED <16 JAN 2003 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHANGED PRACTICES AT EXPORT-IMPORT BANK OF THE UNITED STATES
TAGS: EFIN, XX, XMB
To: ALL POSTS MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005